



Foreign Agricultural Service

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## **Chile**

### **Agricultural Situation**

#### **Wheat, Sugar and Vegetable Oil Price Bands**

## **2001**

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#### **Report Highlights:**

**The Government of Chile has announced new, lower price band levels for 2001/02 for wheat, sugar and vegetable oils.**

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Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Santiago [CI1], CI

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## **General**

The Chilean Government announced the new price band levels for wheat, sugar and vegetable oil for the 2001/02 marketing season. Price band levels are always announced prior to the planting season in order to provide producers with information on the level of support they can anticipate. The price band system serves as Chile's principal price support tool for the above commodities. It promotes domestic production and discourages imports by setting a minimum import price that is normally higher than both international and Chilean domestic prices. When international prices are below the floor of the price band, a surtax is applied to all imports based on the lowest quoted international FOB price necessary in order to bring CIF/Santiago prices for the imported commodity up to the price band floor. Rebates (reduction from the normal import duty of 8 percent) could also come into effect in the event international prices exceed the ceiling of the band.

## **Wheat**

The new price band level will be in effect from November 16, 2001 through November 15, 2002. The new floor of the band was established at US\$166/MT; the ceiling price was set at US\$212/MT. These prices will replace the present floor and ceiling prices of US\$179/MT and US\$224/MT, which are in effect until November 15, 2001.

Price band levels are determined by using a five-year moving average price series of #2 HRW FOB Gulf prices. After the 15 highest and 15 lowest prices are eliminated, the lowest and highest remaining prices are then added to inland freight costs, discharge costs, trade commissions and financial costs to determine the floor and ceiling of the price band.

Wheat flour is also subject to a price band, which is calculated by multiplying the wheat price band level by a factor of 1.41.

HTS Numbers affected 10.019000 Wheat

HTS Numbers affected 11.010000 Wheat Flour

## **Sugar**

The new price band for sugar will be in effect from April 1, 2002 until March 31, 2003. The regulation establishes the new floor import price of US\$395/MT and the ceiling price of US\$423/MT, replacing the present floor and ceiling prices of US\$412/MT and US\$443/MT.

The sugar price band is based on a ten-year moving average of monthly, refined sugar prices in the London Market. The highest 42 and the lowest 42 prices are eliminated. The 43<sup>rd</sup> highest and lowest prices are then used for the base calculation of the ceiling and floor levels. Ocean transportation, inland freight costs, port fees, inspection and stamp taxes, marketing fees and profit margins are all added to the base price in order to determine the final floor and ceiling levels of the price band.

Chile produces beet sugar and imports mostly cane sugar to meet domestic production shortfalls. Imports of raw sugar are exempt from the price band policy. However, only small amounts of raw sugar are imported.

HTS Numbers affected 1701.9900, 1701.1200, 1701.9100, 1701.9900 Cane or beet sugar, with or without colorants and others

## **Vegetable Oil**

The new vegetable oil price band will be in effect for all imports between November 1, 2001 through October 31, 2002. The price band provides a reference price for domestic oilseed producers and crushers for MY2001/02 rapeseed and sunflower-seed crops. The new band floor, or minimum import price was established at US\$500/MT. The ceiling import price was established at US\$ 665/MT. These prices replace the present floor of US\$597/MT and ceiling prices of US\$687/MT in effect until October 31, 2001.

Vegetable oil price bands are based on a monthly five-year moving average of FOB/Rotterdam prices for soybean oil. Of the total of 60 monthly prices, the top 15 and bottom 15 prices are eliminated. The remaining lowest and highest prices are then used to calculate the floor and ceiling prices. As for the other commodities, costs for port unloading, insurance, domestic transport are added to the five-year moving average in order to determine the actual floor and ceiling of the vegetable oil price band.

TS Numbers affected 1507.1000, 1507.900, 1508.1000, 1508.9000, 1509.1000, 1509.9000, 1510.0000, 1511.1000, 1511.9000, 1512.1110, 1512.1120, 1512.1920, 1512.2100, 1512.2900, 1513.1100, 1513.2100, 1513.2900, 1514.10000, 1514.9000, 1515.21000, 1515.2900, 1515.5000, 1515.9000 ( Vegetable oils)